

# China, India and the Crossroads of 21st Century Infrastructure Competition

by Davide Cancarini

The Asia Pacific region is one of the areas with the highest growth potential for the coming decades. This potential is contingent on the need to ensure adequate infrastructure, no easy task given recent estimates by the Asian Development Bank, with spending needs for infrastructure in the Asia Pacific region predicted to top 1.7 trillion dollars a year.<sup>1</sup>

When it comes to massive infrastructure investments, China's signature Belt and Road Initiative (BRI), officially launched by President Xi Jinping while on a state visit to Kazakhstan in 2013, has attracted most international interest and attention.

Given its geographical location as a privileged corridor on the east-west

<sup>1</sup> Asian Development Bank, *Asia Infrastructure Needs Exceed \$1.7 Trillion Per Year, Double Previous Estimates*, 28 February 2017, <https://www.adb.org/news/asia-infrastructure-needs-exceed-17-trillion-year-double-previous-estimates>.

axis, Central Asia lies at the very heart of the BRI's land trade links. China, however, is not the only regional player with the potential to give a decisive boost to Central Asian connectivity.

The other Asian giant, India, has also begun to move in this direction. In so doing, India has attracted the interest of several regional players, motivated by an effort to find other external partners capable of balancing China's growing involvement in their neighbourhood.

India's strategy is articulated within the framework of New Delhi's key infrastructure project, the International North-South Transport Corridor (INSTC). The objective is to guarantee a faster route between Indian and Russian territory, allowing Indian goods (such as clothing, chemicals and agricultural products) to reach Iran, Central Asia and some parts of Europe while bypassing Pakistan, India's historic rival. Increasing Indian

*Davide Cancarini, PhD in Institutions and Policies from the Università Cattolica del Sacro Cuore in Milan, has worked extensively on Central Asian affairs.*

**Figure 1** | The Belt and Road Initiative



Source: Boh Ze Kai, "One Belt, One Road, One Singapore – Analysis", in *Eurasia Review*, 13 April 2016, <http://www.eurasiareview.com/13042016-one-belt-one-road-one-singapore-analysis>.

imports of Central Asian and Iranian natural gas, oil and uranium is also a key goal in this regard.

A completed INSTC could boost trade exchanges between India and Central Asia (including Iran), with estimates predicting an increase to 170 billion dollars, from the current 1 billion level.<sup>2</sup> By way of comparison, in 2016, trade between China and Central Asia amounted to 30 billion euro.

The clearest representation of the ongoing infrastructure competition between China and India are the ports of Gwadar in Pakistan (backed by

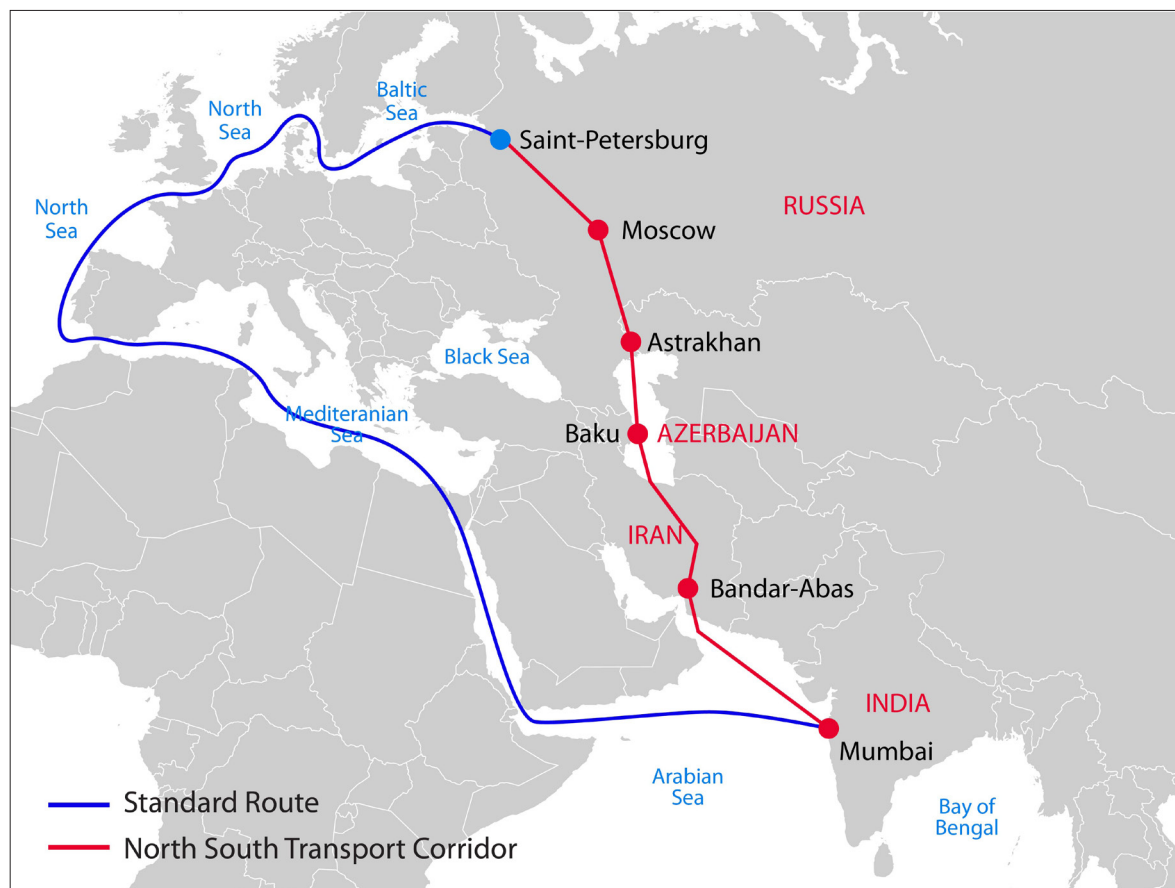
China) and the Iranian port of Chabahar (backed by India). Located near the Gulf of Oman and about 150 km from each other, they represent two different and competing trade access points.

Gwadar port has been developed by China within the framework of the China-Pakistan Economic Corridor (CPEC) – a branch of the BRI that includes a series of initiatives to modernise Pakistan's infrastructure – and represents Beijing's door to the Indian Ocean. On the other hand, Chabahar is New Delhi's entrance gate to Iran and Central Asia, especially when a planned railway on Iranian territory to the border with Afghanistan is completed.<sup>3</sup>

<sup>2</sup> Dipanjan Roy Chaudhury, "India and China New Players in Central Asia's 'Great Game'", in *The Economic Times*, 12 July 2018, <http://www.ecoti.in/fOPtMZ>.

<sup>3</sup> Kiran Sharma and Akihiro Sano, "India and China jostle for influence in Iran and Central

**Figure 2** | North South Transport Corridor route via India, Iran, Azerbaijan and Russia



Source: Boris Volkhonsky, "North-South Transport Corridor Begins Functioning", in *Russia Beyond*, 12 December 2016, [https://www.rbth.com/blogs/the\\_outsiders\\_insight/2016/12/12/long-awaited-north-south-corridor-close-to-launch\\_655489](https://www.rbth.com/blogs/the_outsiders_insight/2016/12/12/long-awaited-north-south-corridor-close-to-launch_655489).

From a commercial point of view, the two projects have different objectives: Gwadar aims to allow China to increase its access to the Indian Ocean; Chabahar will allow Indian imports and exports to and from Central Asian markets and provide an opening for New Delhi to take part in the Afghan reconstruction.

Looking at the strategic implications of the Central Asian sections of the BRI

Asia", in *Nikkei Asian Review*, 24 April 2018, <https://asia.nikkei.com/Spotlight/Asia-Insight/India-and-China-jostle-for-influence-in-Iran-and-Central-Asia>.

and the INSTC, will clarify Indian and Chinese concerns. India fears that once trade links are strengthened, China could influence the foreign policy choices of regional states. Gwadar is also viewed by India as a potential Chinese naval outpost in the Indian Ocean, raising further concern. Finally, the CPEC may destabilise the disputed region of Kashmir since some parts of the planned route pass through the territory of Gilgit Baltistan.

Between the two, the Gwadar project – which according to Chinese

**Figure 3** | NSTC vs CPEC



Source: Apurva Agrawal, "Chabahar Port – India's Gateway to Central Asia", in *Steel 360 News*, 2 January 2017, <https://news.steel-360.com/?p=5752>.

authorities will be fully operational by 2020/2021<sup>4</sup> – and the broader CPEC are certainly more controversial. Despite the potential economic benefits, the project is generally seen as a top-down initiative lacking attention for local dynamics and has met the opposition of the populations involved.<sup>5</sup>

In the Asian infrastructure game, some players act on the basis of clear objectives. Other transit countries, however, are playing a more ambiguous game.

Iran has acted like a pendulum, supporting Chinese or Indian objectives depending on the circumstances while forging links with both.

China and India are Iran's top oil importers.<sup>6</sup> While, Iran has strongly backed the India-supported Chabahar port project, this has not prevented Tehran from signing an agreement with China to build a railway between the cities of Shiraz and Bushehr last March.<sup>7</sup> Clearly, Tehran is trying to

<sup>4</sup> "Gwadar Port to Be Fully Operation in Three to Four Years – Pakistan Envoy to China", in *Gulf News*, 22 August 2017, <http://bit.ly/2JKIboK>.

<sup>5</sup> Michael Kovrig, "National Ambitions Meet Local Opposition Along the China-Pakistan Economic Corridor", in *The Diplomat*, 24 July 2018, <https://thediplomat.com/?p=139511>.

<sup>6</sup> Debjit Chakraborty, Dhvani Pandya and Javier Blas, "India Is Cutting Imports of Iranian Oil to Zero in November", in *Bloomberg*, 25 September 2018, <https://www.bloomberg.com/news/articles/2018-09-25/india-is-said-to-cut-imports-of-iranian-oil-to-zero-in-november-jmhy95z8>.

<sup>7</sup> "Agreement on Shiraz-Bushehr Railway Construction Signed with Chinese Co.", in

balance its relations with the two Asian giants, seeking to maximise returns at a time of increased international pressure.

Much of the same can be said for Uzbekistan. The “double-landlocked” nature of the country, has forced Uzbek authorities to try to increase land and air connections to the outside. China is Uzbekistan’s largest trade partner and Beijing is supporting Uzbek authorities in improving their infrastructure. In late 2017, for example, a China-backed railway between the Uzbek capital and the Chinese city of Kashgar was inaugurated.<sup>8</sup>

Uzbekistan has been one of the regional players most interested in exploiting India’s infrastructure dynamism which, with reference to Central Asia, finds its origin in the 2012 “Connect Central Asia Policy”, a new approach to the region that aims to strengthen political, economic, security, logistical and cultural relations.

It is no coincidence that Uzbek leader, Shavkat Mirziyoyev, asked New Delhi to participate in a project to build a 650 km railway between Mazar-i Sharif and Herat in Afghanistan during his latest official visit to India last September.<sup>9</sup>

*Tehran Times*, 8 March 2018, <https://www.tehrantimes.com/news/421878>.

<sup>8</sup> Hisashi Kanao and Naubet Bisinov, “China’s Belt and Road Sparks a Battle of the Breadbaskets”, in *Nikkei Asian Review*, 30 November 2017, <https://asia.nikkei.com/Spotlight/Asia-Insight/China-s-Belt-and-Road-sparks-a-battle-of-the-breadbaskets>.

<sup>9</sup> Fozil Mashrab, “Uzbekistan Steps Up Railway Diplomacy”, in *Eurasia Daily Monitor*, Vol. 15, N. 160, 8 November 2018, <https://jamestown.org/?p=81398>.

This would be the continuation of a railway built in 2011 that connects Hairatan – on the Uzbek-Afghan border – to Mazar-i Sharif.<sup>10</sup> Once another project, a railroad between Herat and the Iranian city of Khaf is completed (according to Iranian authorities, by 2019), Uzbekistan would potentially be connected by land, through Afghanistan and Iran, with the Persian Gulf. In this regard, the Afghan rail project would provide Uzbekistan a direct and privileged link to the Iranian port of Chabahar, thereby also boosting Indian interests.

While controversial due to the opposition of local communities in transit countries, the Gwadar project seems to have more chances of success, mostly due to broader geopolitical dynamics.

This is linked, firstly, to India’s capability to attract the interest of other countries in using its infrastructure projects connected to Iran’s Chabahar port. Such efforts will not be easy given growing US and Arab Gulf states pressure on Iran following the re-imposition of US sanctions on Tehran. Moreover, the present limits of infrastructure development in Central Asia and the obstacles posed by the security situation in Afghanistan, also pose challenges.

Conversely, Gwadar port and its related infrastructure links are not burdened by similar pressures, excluding opposition coming from part of the population of

<sup>10</sup> “Uzbekistan Seeks Sea Access with Afghan Railway Deal”, in *Reuters*, 5 December 2017, <https://reut.rs/2nvD8gX>.

Balochistan. In fact, the project relies on more solid commercial foundations and massive Chinese investments.<sup>11</sup> Furthermore, while India's INSTC project may raise concern in the US due to the pivotal role granted to Iran, China is not bothering Russia with its action in Central Asia, historically Moscow's backyard.<sup>12</sup>

Beijing, therefore, seems better positioned than India in both the "ports challenge" and the more general infrastructure competition in Central Asia. Against this backdrop, and while a continuation of this competition is likely to persist, it is not unthinkable for Beijing and New Delhi to move towards cooperation. For example, China would like to include India's Kolkata in its Maritime Silk Road, an eventuality still being debated.

The most important step towards infrastructure cooperation would be Beijing's participation in the development of the port of Chabahar. Iran has repeatedly welcomed this possibility. This could happen if India realises that it has to come to terms with Beijing to make its project commercially viable. For China, this would mean limited additional investments, compared to the tens of billions of dollars already invested in the BRI, with a significant return in strategic terms.

While it is too early to tell whether this eventuality will materialise, what is certain today is that, in the short term, regional players, including Iran, Uzbekistan and Afghanistan, seem to be the main beneficiaries of this ongoing infrastructure competition between China and India in Central Asia.

29 March 2019

<sup>11</sup> Sudha Ramachandran, "India Doubles Down on Chabahar Gambit", in *The Diplomat*, 14 January 2019, <https://thediplomat.com/?p=149543>.

<sup>12</sup> Paul Stronski and Nicole Ng, "Cooperation and Competition: Russia and China in Central Asia, the Russian Far East, and the Arctic", in *Carnegie Papers*, February 2018, <https://carnegieendowment.org/publications/?fa=75673>.

## Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), two book series (*Quaderni IAI* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via Angelo Brunetti, 9 - I-00186 Rome, Italy

T +39 06 3224360

F + 39 06 3224363

[iai@iai.it](mailto:iai@iai.it)

[www.iai.it](http://www.iai.it)

## Latest IAI COMMENTARIES

Director: Andrea Dessì ([a.dessi@iai.it](mailto:a.dessi@iai.it))

- 19 | 25 Davide Cancarini, *China, India and the Crossroads of 21st Century Infrastructure Competition*
- 19 | 24 Lorenzo Kamel, *"Stabilising" the Middle East: A Historical Perspective*
- 19 | 23 Sinan Ekim, *Turkey's Local Elections: Why Do They Matter?*
- 19 | 22 Walter Posch, *Iran's Islamic Revolution at 40: On the Way to a Post-Revolutionary Society*
- 19 | 21 Riccardo Alcaro, *On Speaking Terms: Europe-Iran Dialogue on Regional Flashpoints*
- 19 | 20 Gianni Bonvicini, *Italian Populists Scramble in Search of Allies for the European Election*
- 19 | 19 Nicholas Westcott, *The International Impact of Brexit*
- 19 | 18 Harry Tzimitras, *Eastern Mediterranean Hydrocarbons Prospects: In Need of a Pragmatic Geopolitical Assessment*
- 19 | 17 Mustafa Ergün Olgun, *Can Hydrocarbons Catalyse New Out of the Box Thinking on Cyprus? A Turkish Cypriot Perspective*
- 19 | 16 Charles Ellinas, *East Med Gas: The Impact of Global Gas Markets and Prices*